



FILED

04-19-07
11:49 AM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U 210 W), for an Interest Rate of 8.33% for Allowance for Funds Used During Construction (AFUDC) for its San Clemente Dam Memorandum Account and for Authorization to Place the Estimated Annual Average Cost of Construction Work in Progress into Rate Base Once the Project is More Certain.

A.07-02-023
(Filed February 20, 2007)

**ADMINISTRATIVE LAW JUDGE'S RULING
SETTING PREHEARING CONFERENCE**

Background

In Ordering Paragraph 19 of Decision (D.) 06-11-050, the Commission directed California-American Water Company (Cal-Am) to remove the San Clemente Dam retrofit project costs from rate base and place the amount in a memorandum account for later reasonableness review. The Commission authorized the account to accrue interest at the 90-day commercial paper rate, but allowed Cal-Am the opportunity to request, by subsequent application, a different interest rate:

The San Clemente Dam retrofit project costs shall be removed from rate base and placed in a memorandum account for later reasonableness review. The account shall accrue AFUDC at the 90-day commercial paper rate, subject to true-up, until the Commission completes a review of the appropriate AFUDC rate for this project. Cal-Am is directed to file within 60 days an application addressing the AFUDC methodology that should be applied to the San Clemente Dam retrofit memorandum account.

On February 20, 2007, Cal-Am filed and served this application seeking Commission approval of higher interest rate, 8.33%, which is its currently authorized cost of capital. In addition, Cal-Am asked that the memorandum account balance, with interest, be moved “into rate base when the Project becomes more certain.” Cal-Am offered three alternatives for the “more certain” milestone: certification of the environmental work, obtaining final permits, or finalization of construction contracts.

The Division of Ratepayer Advocates (DRA) and the Monterey Peninsula Water Management District (MPWMD) protested this application contending that Cal-Am had not justified an interest rate higher than the 90-day commercial paper rate, and that the request for rate base treatment was beyond the scope of the application authorized by Ordering Paragraph 19. On April 16, 2007, DRA and MPWMD filed a joint motion to strike all Cal-Am testimony referencing the proposal to move project costs to rate base.

Prehearing Conference

A prehearing conference will be convened:

Friday, May 11, 2007

10:00 a.m.

Commission Hearing Rooms

505 Van Ness Avenue, San Francisco 94501

The parties should be prepared to discuss the appropriate scope of this proceeding and set a procedural schedule at the prehearing conference. The applicant should also be prepared to present a status report on the environmental review process.

Dated April 19, 2007, at San Francisco, California.

/s/ MARIBETH A. BUSHEY

Maribeth A. Bushey

Administrative Law Judge

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated April 19, 2007, at San Francisco, California.

/s/ ELIZABETH LEWIS

Elizabeth Lewis